

Washington, D.C. - Congresswoman Melissa Bean (IL-08) is acting to strengthen and overhaul the flawed regulations that govern audits of federal grant money, as official reviews of these audits show that more than half of them are conducted so poorly that they are considered partially or completely unreliable.

Bean has introduced the bipartisan Government Audit Reform (GAR) Act, to mandate necessary changes to the Single Audit Act of 1984, including stronger enforcement and better training of auditors, clearer rules on what must be audited, and smarter use of government resources to focus more attention on the biggest grants. Congressman Mike Conaway (TX-11) joined Bean as an original cosponsor of the bill.

“The first step to protecting taxpayer dollars and fighting fraud in government is to know where it is, and for that we need accurate audits,” Bean said. “Taxpayers expect us to be thorough and aggressive stewards of their dollars. The audit process has not lived up to those standards and must be improved.”

“The GAO Report shows that significant improvements can be made to ensure taxpayer dollars are not wasted,” Conaway said. “Audit reforms are needed across all government departments. This legislation is important to improve the quality and effectiveness of contracts awarded. I’m pleased to join my colleague, Representative Melissa Bean in this bipartisan effort to improve the single audit system.”

The proposal is endorsed by the independent watchdog group Taxpayers for Common Sense Action.

“We applaud Congresswoman Bean for introducing this important legislation that will bring greater accountability and transparency to the audit process and help ensure federal funds are used in the best interest of the taxpayer,” said Ryan Alexander, President, Taxpayers for Common Sense Action.

Federal government grant awards to state and local governments and nonprofit organizations have risen substantially, from about \$42 billion in 1960 to \$500 billion in fiscal year 2009 in inflation-adjusted dollars. These funds go to a wide variety of projects, such as public housing, wind energy development, and local road construction.

Existing law calls for any local government or nonprofit receiving federal grant money to undergo a standardized auditing procedure – referred to as the “Single Audit” – from a licensed auditor at the agency’s expense. The resulting audits are made publicly available, as a means of ensuring that government funds are spent correctly and grant recipients are held accountable.

But reports by the U.S. Government Accountability Office – Congress’ investigative arm – and the President’s Council on Integrity and Efficiency have highlighted a widespread lack of compliance. According to a GAO summary of the council’s survey of 208 agency audits, “About 51 percent of the audits had deficiencies that were severe enough to classify the audits as unacceptable or limited in reliability.”

For instance, the council’s survey study found that in 61 percent of their sample, auditors failed to test whether the local government or agency had proper internal control over federal funds, such as procedures that require a superior official’s approval on expenditures. In several audits, whole sub-sections of major programs were left out of the audit process. And in many other cases, auditors left out key findings. One audit of a major public housing agency failed to note that \$6.6 million worth of property had gone missing from the agency’s records for unknown reasons.

Bean’s GAR Act will enact recommendations made by the GAO to correct many of the problems uncovered. The act:

- Requires the OMB to begin making audit quality improvements as outlined by the President's Council on Integrity and Efficiency and report to Congress within 6 months.

Mandated improvements include:

- Establish stronger minimum training and continuing education requirements for those conducting Single Audits.
- Tougher penalties and a streamlined process for disciplining auditors who submit unacceptable audits.
- Increased clarity on which audit findings should be reported.
- Stronger emphasis on the minimal amount of acceptable documentation needed to prove that an agency has adequate internal control of finances.
- Require compliance testing to use sampling methods consistent with national industry standards.

- Requires the Director of the Office of Management and Budget (OMB) to conduct on ongoing evaluation of the audit process government wide, and report to Congress on findings

and improvements.

- Makes smarter use of government's resources by requiring the OMB to create a simplified audit procedure for local governments and nonprofits receiving less than \$300,000 of federal funds, allowing the government to focus on large-dollar recipients of federal funds. Just 3 percent of the audits conducted, those examining recipients of the largest grants, cover 85 percent of federal grant funds distributed.

The bill is H.R. 5018.

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